United Nations A/54/7/Add.7

General Assembly

Distr.: General
9 December 1999

Original: English

Fifty-fourth session
Agenda item 119
Programme budget for the biennium 1998-1999

Second performance report

Eighth report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

1. The Advisory Committee on Administrative and Budgetary Questions has considered the second report of the Secretary-General on the performance of the programme budget of the United Nations for the biennium 1998-1999 (A/54/631). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General who provided it with additional information and clarification.

2. The Advisory Committee notes that, as in the past, the scope of the report is financial only and will be supplemented by a report on programme implementation, which will be submitted for consideration by the Committee for Programme and Coordination and the General Assembly. In this regard, the Committee recalls its observation that the goal of performance reporting should be to relate financial data to programme performance, and that additional efforts should be made by the Secretariat to consider, in the long term, combining the two sides of budget performance into a single performance report (see A/52/742, para. 1).

3. The Advisory Committee notes from paragraph 1 of the performance report that the anticipated final level of expenditure and of income for the biennium represents a net decrease of $35.3 million compared with the revised appropriations and estimates of income approved by the General Assembly in its resolution 53/215 of 18 December 1998. The projected expenditure for the biennium 1998-1999 is estimated at $2,488.3 million gross, which reflects a decrease of $41.6 million. The projected income is estimated at $356.4 million, which reflects a decrease of $6.3 million compared with the revised income estimates of $362.7 million for the biennium.

4. As indicated in paragraph 1 of the report, the anticipated final expenditure and income figures for the biennium 1998-1999 are based on actual expenditures for the first 20 months, projected requirements for the last 4 months and changes in inflation and exchange rates and cost-of-living adjustments as compared with the assumptions made in the first performance report (A/53/693). The Advisory Committee welcomes the fact that actual expenditures are provided for a longer period of time compared with the performance report for the biennium 1996-1997, which was based on actual expenditures for the first 18 months and projected requirements for the last 6 months. The Committee reiterates its recommendation that the Secretariat should attempt to base performance reporting on actual expenditures for the first 21 months (see A/52/742, para. 10).

5. As can be seen from paragraph 2 of the performance report, the net reduction in requirements of $35.3 million reflects the combined effect of: (a) projected additional

99-38243 (E) 131299

requirements of $4.8 million resulting from commitments entered into in accordance with the provisions of General Assembly resolution 52/223 of 22 December 1997 on unforeseen and extraordinary expenses and commitments arising from the administrative and programme budget implications of Commission on Human Rights resolution 1999/S-4/1 (see E/1999/L.59) endorsed by the Economic and Social Council in its decision 1999/293; and (b) reductions of $40.1 million due to changes in exchange rate assumptions ($17.2 million), changes in inflation assumptions ($2.0 million), variations in posts and common staff costs ($12.3 million) and adjustments to objects of expenditure other than posts, based on actual anticipated requirements ($14.9 million), which were partially offset by a decrease of $6.3 million in income.

6. As indicated in paragraph 3 of the report, in view of the chronic cash shortage of the Organization, the Secretary-General proposes to suspend the provisions of financial regulations 4.3, 4.4 and 5.2(d) in respect of surpluses arising at the end of the financial period 1998-1999. The Advisory Committee was informed, upon enquiry, that this palliative measure had been used on a number of occasions in the past. In its resolutions 2947 A and B (XXVII) of 8 December 1972, 36/116 B of 10 December 1981, 40/241 B of 18 December 1985 and 42/216 A of 21 December 1987, the General Assembly decided to suspend the provisions of financial regulations 4.3, 4.4 and 5.2 (d) in respect of the surpluses under the regular budget arising at the end of 1972 and at the end of the 1980-1981, 1982-1983, 1984-1985 and 1986-1987 bienniums as well as the surplus described in the second performance report for the biennium 1986-1987 (A/C.5/42/40). Information on the amount of authorized retained surpluses is contained in the report of the Board of Auditors for the biennium ended 31 December 1997.[1]

7. The Advisory Committee points out that the net reduced requirement of $35.3 million for the biennium 1998-1999 represents only a theoretical surplus since the related cash is not available to the Organization, owing to non-payment or late payment of assessed contributions by Member States. Therefore, the only means by which such an amount could be returned to Member States is by a credit against their future assessment, thereby further reducing the cash available to the Organization. On the other hand, the Committee was informed that suspension of these financial regulations can only be regarded as a temporary palliative for the financial difficulties of the Organization, since the amounts so realized must be returned to Member States at some point, that is, when the financial situation of the Organization permits. The Committee has pointed out a number of times in the past that the only way to solve the financial crisis of the United Nations is for all Member States to pay their assessment in full and on time. In this connection, the Committee requests the Secretary-General to deliver a clear statement of the current cash-flow situation to the Fifth Committee during its current consideration of this matter. The Advisory Committee also requests the Secretary-General to present a complete analysis of the impact of a suspension of these financial regulations on all Member States, and in particular on those which have paid their assessments in full and on time, and to provide the results to the Fifth Committee during its current consideration of the present report.

8. The reduced requirement of $19.2 million relating to changes in exchange rate and inflation assumptions is explained in paragraphs 6 to 11 of the performance report, and the details regarding the assumed and actual rates of exchange are contained in schedules 4 and 5 of the report; table 1 provides information on exchange rate and inflation changes by duty station.

9. The total additional requirements of $4,770,000 relating to commitments entered into by the Secretary-General under the provisions of General Assembly resolution 52/223 ($4,216,500) and commitments arising from the administrative and programme budget implications of Commission on Human Rights resolution 1999/S-4/1 ($553,500) are discussed in paragraphs 12 to 15 of the performance report. In this connection, the Advisory Committee draws attention to its recommendation that, for activities relating to the maintenance of peace and security, the authority of the Secretary-General to commit without the prior concurrence of the Committee be increased from $5 million to $8 million (see A/54/7/Add.5, para. 7).

10. The Advisory Committee reiterates its recommendation that future performance reports indicate the amount of unliquidated obligations included in estimated expenditures for the biennium (see A/52/742, para. 11).

11. Information on the total reduction of $27.2 million due to variations in posts and common staff costs and adjustments to objects of expenditure other than posts is contained in paragraphs 16 to 34 and schedules 2, 3 and 8 of the performance report. As indicated in paragraph 19, the budgeted vacancy rate was 10 per cent for the Professional category and above and 2.5 per cent for the General Service for the first year of the biennium and 5 per cent for the Professional category and above and 2.5 per cent for the General Service for the second year of the biennium. However, the 1999 realized level of vacancies, on the basis of experience from January to September 1999, amounted to 9 per cent for the Professional category and above and 1.8

per cent for the General Service. The Secretary-General indicates in paragraph 22 (b) of the report that the variation between the budgeted and realized vacancy rates for large budget sections with exceptionally high vacancy rates, such as 2A, 7A, 11A, 16 and 20, reflects normal attrition and retirements that have not been compensated for by recruitment activity of similar magnitude or speed to address those situations.

12. In this connection, the Advisory Committee requested information on the reasons for persistent high vacancies, including any continued impact of past recruitment freezes, and sought assurance that vacancies were not being used to achieve budgetary savings, consistent with the requirements outlined in section II, paragraph 23, of General Assembly resolution 52/220 of 22 December 1997. This information should be provided to the Fifth Committee during its current consideration of this matter (see also the Advisory Committee's observations in A/53/7/Add.8, para. 8.

13. The Advisory Committee was also informed during its deliberations of a "cascade" effect in which vacancies are filled by internal candidates through promotion, which in turn triggers several vacancies at lower levels, possibly resulting in delays in filling vacancies. With reference to paragraph 23 of the performance report, the Committee believes that the Office of Human Resources Management should take special measures on an urgent basis to address the problem of high vacancy rates. Moreover, the Committee points out that with proper planning and streamlining of personnel practices and procedures, the vacancy situation could be improved.

14. The Advisory Committee was informed that a lower than anticipated vacancy rate had contributed to a reduction in requirements for temporary assistance in some budget sections. For example, average actual vacancy rates, as at 30 September 1999, of 2.3 per cent for the Professional category and above and 0.5 per cent for the General Service category under section 1B, General Assembly affairs and conference services, resulted in additional requirements of $11.7 million under posts and reduced requirements of $7.0 million under other staff costs, that is, mostly temporary assistance. The Committee requests the Secretariat to provide a more detailed analysis of the $7.0 million savings under section 1B to the Fifth Committee during its current consideration of this matter so as to allow it to determine whether or not these savings had affected the delivery of conference services, a matter upon which the Advisory Committee has previously expressed serious concern (see A/54/7/Add.5, paras. 20-24).

15. The Advisory Committee notes from paragraph 28 of the performance report that additional requirements of $4.3 million at the United Nations Office at Vienna relate to reduced reimbursement mainly from the translation and associated reproduction and distribution requirements of the United Nations Industrial Development Organization and to a lesser extent from the International Atomic Energy Agency. The Committee is concerned about what appears to be underutilization of the conference-servicing capacity of the United Nations Office at Vienna. The Committee requests that this issue be analysed with a view to increasing the efficiency of conference services at Vienna, taking due account of facilities available at other United Nations centres. The results of the analysis should be reported to the General Assembly as soon as possible.

16. The Advisory Committee welcomes the inclusion in the performance report of information on compensation arising from judgements of the United Nations Administrative Tribunal in the amount of a total of $387,143; a breakdown is contained in schedule 9 of the report.

17. The Advisory Committee notes from the report that it does not identify any savings resulting from efficiency measures that could be transferred to the Development Account in accordance with established procedures. The Committee is of the view that the explanation of some reduced requirements in paragraphs 29 to 31 of the report appears to suggest that these may result from efficiency gains. The Committee requests that the Secretary-General provide a clarification of this matter to the Fifth Committee. The Advisory Committee's comments and observations on the issues relating to the Development Account are reflected in document A/54/7/Add.8.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* and corrigendum (A/53/5 and Corr.1), vol. I, pp. 167-168.